

**NEWPORT INDEPENDENT BOARD OF EDUCATION'S  
ADMINISTRATION OF CAMPBELL COUNTY'S ADULT  
EDUCATION GRANTS FROM THE COUNCIL ON  
POSTSECONDARY EDUCATION AND KENTUCKY  
ADULT EDUCATION**

**For The Period  
July 1, 2010 Through June 30, 2011**



**ADAM H. EDELEN  
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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

August 15, 2012

Reecie Stagnolia, Vice President  
Kentucky Adult Education  
Council on Postsecondary Education  
1024 Capital Center Drive, Suite 250  
Frankfort, KY 40601

Pamela Rye, Interim Superintendent  
Newport Independent Board of Education  
301 East Eight Street  
Newport, KY 41071

Re: Adult Education Grants

Dear Mr. Stagnolia and Ms. Rye:

This report contains the results of the performance audit of Newport Independent Board of Education's administration of Campbell County's adult education grant for the fiscal year (FY) ending June 30, 2011. The Council on Postsecondary Education and Kentucky Adult Education contracted with this office to conduct performance audits of selected local adult education programs. This report represents our findings, recommendations, and the program's responses.

The Auditor of Public Accounts conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We greatly appreciate the courtesies and cooperation extended to our staff during the audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen".

Adam H. Edelen  
Auditor of Public Accounts



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**EXECUTIVE SUMMARY**

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**PURPOSE AND SCOPE**

The Council on Postsecondary Education (CPE) and Kentucky Adult Education (KYAE) selected the Campbell County adult education program for a limited scope performance audit of its adult education grant. The Newport Independent Board of Education was responsible for the administration of this grant in FY 2011. An on-site review was conducted on May 25, 2012, to address the following objectives:

- Determine whether the local program's expenditures comply with the terms of their grant agreement and reconcile to invoices submitted.
- Reconcile student and faculty data electronically submitted to KYAE through the Adult Education Reporting Information Network (AERIN).
- Determine whether the local program's professional development activities comply with the FY 2010-2011 professional development policies and procedures.
- Report internal control weaknesses identified during our audit that relate to the audit's objectives.

To accomplish these objectives, the performance audit team reviewed the Policy and Procedure Manual for Kentucky Adult Education, as well as the local program's agreement with KYAE. During the on-site review, the audit team reviewed the program's accounting records (trial balance/general ledger), interviewed program administrators regarding internal controls related to the above grants, and tested samples of expenditure documentation, participant files, and personnel files for compliance with applicable requirements.

Below is the summary of findings:

**FINDINGS SUMMARY**

<b>Finding</b>	<b>Disallowed Costs</b>
There were eight variances between the KYAE cost categories and the program's financial records. In total, the amount reimbursed by KYAE was \$4,016 more than the expenditures recorded in the program's financial records.	\$4,016
A reconciliation between the amounts requested for reimbursement from KYAE and the MUNIS accounting system is not being performed on a regular, monthly basis to detect variances.	N/A

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## **RESULTS AND RECOMMENDATIONS**

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### **FINANCIAL REPORTING AND COMPLIANCE**

#### **Scope and Methodology**

The annual expenditures for which the program requested reimbursement through the KYAE Finance Module were compared to the line item budget approved by KYAE. This comparison was used to determine whether the program's reimbursements complied with the approved budget.

The annual expenditures for which KYAE reimbursed the program were then compared to the program's internally generated financial records. This comparison was used to determine whether the program's accounting records support the total amount requested for reimbursement using the KYAE Finance Module.

#### **Findings**

There were eight variances between the KYAE cost categories and the program's financial records. In total, the amount reimbursed by KYAE was \$4,016 more than the expenditures recorded in the program's financial records. This means that the program's financial information does not support the amounts requested for reimbursement. The following table illustrates our findings in this area.

<b>KYAE Cost Categories</b>	<b>KYAE Finance Module Report 6/30/11</b>	<b>Program's Financial Records 6/30/11</b>	<b>Difference</b>
Administrative Personnel	\$52,615	\$51,410	\$1,205
Other Administrative Costs	\$5,357	\$5,317	\$40
Operating Costs	\$11,052	\$10,882	\$170
Instructional Personnel	\$365,308	\$366,909	(\$1,601)
Other Instructional Costs	\$5,416	\$7,539	(\$2,123)
Equipment Costs	\$2,395	\$400	\$1,995
Professional Development	\$7,166	\$7,587	(\$420)
Recruitment/Retention/Results	\$9,141	\$4,391	\$4,750
<b>TOTAL</b>	<b>\$458,449</b>	<b>\$454,433</b>	<b>\$4,016</b>



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The amounts recorded in the KYAE cost categories did not reconcile with the amounts recorded within the program's accounting system (MUNIS). This situation allows a program to circumvent the approved budget's cost category limitations because the KYAE expenditure reports were not based on their actual accounting system.

**Recommendations**

We recommend that MUNIS accounts be established to agree with the KYAE cost categories to facilitate reconciliation. At a minimum, the program needs to establish a chart of accounts that can be used to reconcile the two reports. This chart of accounts should be used consistently during the grant period to prepare the invoices within the KYAE Finance Module each month and at year-end. The chart of accounts should remain the same during the year to ensure that changes are not made to avoid the budget limits of a particular cost category. A listing of any expenditure recorded in one MUNIS account but split between two or more KYAE cost categories should be maintained to explain variances. As a financial control, a reconciliation between the amounts requested for reimbursement by KYAE and the MUNIS accounting system should be performed on a regular, monthly basis.

As stated by the contract, only reasonable, allowable, and actual expenses should be included in the program's request for reimbursement. The \$4,016 is considered disallowed and should be refunded unless a resolution with CPE and KYAE is reached.

**Program Response – [A draft report was provided to program management to request their comments and any planned corrective actions related to the finding. Program management was given more than a reasonable amount of time to adequately respond to this request.]**

A response was not provided by the program.

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**PARTICIPANT ELIGIBILITY AND RECORD KEEPING**

**Scope and Methodology**

To ensure an unbiased representation of the population, an automated process was used to randomly select 60 participants from the total population of participants provided by KYAE. The sample size was based on the determination to test 20 percent of the program's total participants, not to exceed 60. The participants tested received services during the period from July 1, 2010 through June 30, 2011.

The documentation maintained in the participant files was compared to the electronic student data to test compliance. We examined the files for the following:

- Proper eligibility documentation.
- Proper assessment testing.
- Evidence to support the achievement of goals/objectives reported to KYAE.
- Other requirements based upon the applicable program requirements.

The results of the test apply only to the selected sample and should not be projected to the entire population because the criteria tested may not be applicable to each participant.

**Findings**

No exceptions were noted.

**PURCHASING/EXPENDITURE COMPLIANCE**

**Scope and Methodology**

Due to transactions not being provided electronically and the decision to test at least 20 percent of the total purchases, a sample of 11 expenditures was selected judgmentally from the program's detailed general ledger. These expenditures were tested for authorization/approval, supporting documentation, and proper recording. We also verified that the expenditures were made during the grant period from July 1, 2010 through June 30, 2011. Because this was a judgmental sample, the results of the test cannot be projected to the entire population.

**Findings**

No exceptions were noted.

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**PAYROLL AND STAFF REQUIREMENTS**

**Scope and Methodology**

The 13 staff members employed by this program during the audit period were tested based on KYAE personnel requirements. Personnel files were examined to verify that staff had the proper educational credentials required for their position and the documentation of hours worked was examined for existence and approval.

**Findings**

No exceptions were noted.

**PROFESSIONAL DEVELOPMENT REIMBURSEMENT COMPLIANCE**

**Scope and Methodology**

Professional development expenditures were tested for proper authorization, supporting documentation, and adherence to approved rates and reimbursement policies. Due to transactions not being provided electronically, a sample of two expenditures was selected judgmentally from the program's detailed general ledger. Because this was a judgmental sample, the results of the test cannot be projected to the entire population.

**Findings**

No exceptions were noted.

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**INTERNAL CONTROLS RELATING TO GRANT**

**Scope and Methodology**

An Internal Control Questionnaire was provided to program management regarding the controls in place for expenditures, bank reconciliations, revenue, and payroll. The completed questionnaire was reviewed by the audit team for any significant control deficiencies.

**Findings**

As stated in an earlier finding, the amounts recorded in the KYAE cost categories did not reconcile with the amounts recorded within the program's accounting system (MUNIS). Therefore, it does not appear that monthly reconciliations of these records are being performed to detect variances.

**Recommendations**

We recommend that a reconciliation between the amounts requested for reimbursement from KYAE and the program's MUNIS accounting system be performed on a regular, monthly basis.

**Program Response – [A draft report was provided to program management to request their comments and any planned corrective actions related to the finding. Program management was given more than a reasonable amount of time to adequately respond to this request.]**

A response was not provided by the program.